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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

PRESIDENT FOX CALLS FOR WORLD TRADE WITHOUT BARRIERS

According to a local newspaper, President Vincente Fox will demand the return to negotiations for reducing subsidies on agricultural production by the developed countries of the world at the start of activities of the Asian Pacific Economic Cooperation (APEC) meeting. President Fox said his principal proposal would be to advance the negotiations that were truncated during the ministerial meeting of the WTO in Cancun in September. In addition to the discussions with the governments and negotiating teams from the United States and Canada, there will be a private meeting with President George Bush to discuss this subject. Official information from the Mexican government indicates that President Fox will prompt initiatives that will allow international trade without tariffs, without subsidies, with larger flow of investment, more economic growth and more jobs for everyone. (Source: *El Financiero, Reforma,* and *La Jornada*, 10/20/03)

U.S. SENATORS DEMAND THE ELIMINATION OF TRADE BARRIERS

U.S. senators from the Committees of Finance, Agriculture, Nutrition and Forestry, demanded that the Mexican government eliminate trade barriers that affect U.S. agricultural producers. In letters directed to the Secretaries of Economy, Foreign Affairs, and Agriculture, the U.S. Senators manifested their concerns for the restrictive measures that are affecting products like high fructose corn syrup (HFCS), corn, beef and pork products, rice, apples and dry beans. Specifically, they stated that restrictions on HFCS have also affected Mexican corn producers and the lack of a solution has harmed both sides of the border. They added that the special tax on beverages using HFCS had a negative impact on the U.S. corn industry. Senators Grassley and Harkin trust that the Mexican government will take the necessary steps to comply with its agricultural trade obligations. (Source: *Reforma*, 10/16/03)

AGRICULTURAL GROUPS REQUEST A FIRM RESPONSE TO U.S. SENATORS

Leaders from the Permanent Agrarian Congress (CAP) and the "Farmland Can't Stand Anymore" demanded that the Mexican government send a firm response to the U.S. senators that are requiring that Mexico eliminate trade barriers that affect U.S. agricultural products. CAP leaders said that Mexico should protest at international forums against the trade restrictions that the United States has imposed on Mexican products. They further stated that the United States is not complying with issues on transportation, tuna, avocados and sugar. Leaders from the Farmland group pointed out that the government should still request that the United States and Canada revise the agricultural chapter of NAFTA. (Source: *Reforma*, 10/17/03)

SECRETARY OF AGRICULTURE ADDRESSES CONGRESSIONAL COMMITTEES

During his address before the Mexican congressional Committees of Agriculture and Livestock, Rural Development and Fisheries, Secretary of Agriculture Javier Usabiaga indicated that there would be more resources for the agricultural sector and no budget cuts. However, members of congress criticized the Secretary because in the last three years of the present administration there have been drastic reductions in the agricultural budget. The opposition also claimed that there had been no results within the National Agreement for the Countryside. The Secretary expects that the 2004 budget will be approximately $41,700 million pesos (US$3,690 million dollars). He also indicated that the foreign trade has been strengthened because more agricultural products are exported, having now an agricultural balance of trade surplus of US$531 million dollars with the United States. (Source: *Reforma, Financiero, La Jornada,* and *El Universal*, 10/16/03)

CORN AND BEAN NEGOTIATIONS NOT CONSIDERED AN "IRRITANT"

According to the news, Secretary of Agriculture Javier Usabiaga indicated that Mexico has already presented to the United States a formal proposal to exclude corn and beans from NAFTA. He indicated that the United States, in principle, agrees to white corn negotiations. However, the United States would like to see a better market administration for dry beans. Secretary Usabiaga indicated that this negotiation is independent from the other trade "irritants." However, some members of congress do not agree and think the negotiation should involve the other "irritants." (Source: *Financiero*, 10/16/03)

USABIAGA INAUGURATES MEXICAN PAVILION IN THE ORLANDO FAIR

Secretary of Agriculture Javier Usabiaga inaugurated the Mexican Pavilion "MexBest," to market fruit and vegetables, into the framework of the 54th International Convention of the Produce Marketing Association. During this event, the most important in the world, Secretary Usabiaga stated that Mexican producers make an average of more than US$6 billion dollars annually due to their agricultural exports to the United States, which means Mexico is the main supplier of fruits and vegetables in this market. (Source: *El Financiero*, 10/20/03)

SENATE ANALYZES THE POSSIBILITY OF ELIMINATING THE HFCS TAX

The Mexican Senate is analyzing the possibility of eliminating the special 20-percent tax on beverages using HFCS. The President of the Agricultural Commission in the Senate, German Sierra, indicated that the Committee of the Sugar Industry is analyzing the advantages and disadvantages of this tax. However, the elimination of the tax would be subject to U.S. compliance with its NAFTA commitments to allow Mexico to export its sugar surplus to the United States. Another possibility that is being studied is to exempt HFCS produced in Mexico with Mexican corn from the tax. (Source: *Reforma*, 10/17/03)

ADM WILL SUE MEXICO ON THE 20-PERCENT SPECIAL TAX ON HFCS

According to reports in the news, Archer Daniels Midland Co. (ADM) from Illinois will sue Mexico due to its violations of NAFTA. ADM communicated they are challenging the Mexican 20-percent tax on beverages containing HFCS. ADM delivered their intention under Chapter 11 of NAFTA. The company is looking for damages of more than US$100 million dollars. The article indicates that ADM has worked hard towards reaching a friendly agreement with Mexico but to no avail. ADM is one of the companies that has invested between US$300 and US$400 million dollars in joint investments building processing plants for HFCS in Mexico under NAFTA. The other companies that also invested in Mexico are Stanley and Cargill.

Corn Products International has already closed operations in a US$100 million dollar plant in Mexico due to the special tax. (Source: *Reforma*, 10/16/03)

TWO SUGAR MILLS READY FOR AUCTION

As reported recently, the Mexican government is ready to auction the first two sugar mills from the 27 mills that were expropriated two years ago. These are “La Joya,” in the State of Campeche, and “Santa Rosalia,” in the State of Tabasco. Different private sugar groups indicated that these mills are not attractive because they were already in bankruptcy before the expropriation. (Source: *Reforma*, 10/14/03)

MORE ON SUGAR...

The Vice-President of the Chamber for Sugar and Alcohol Industries, Manuel Enriquez Poy, denies the possibility of a sugar shortage in the domestic market. He indicated that there is no basis for the importation of sugar from other countries as there are about 900,000 MT of domestic sugar in the country’s warehouses. On the other hand, the General Secretary of the Sugarcane Workers’ Association said they would not allow the federal government, by any means, to bring in sugar from other countries. (Source: Financiero 10/20/03)

NEW TRADE PROGRAM FOR DRY BEANS

The Mexican government kicked off a new trade program for the 2003 spring harvest of dry beans. According to the news, about 120,000 bean producers will benefit from trading 400,000 metric tons at $5 to $5.75 pesos/Kg (US$0.44 to $0.50/kg), through the opening of 14 facilities placed in strategic areas in Zacatecas. The producers also requested the government to and illegal third country-transshipment of beans. Under Secretary of Agriculture Francisco Lopez Tostado assured the group that there is a plan to stop illegal entry of beans into the country. (Source: *Excelsior*, 10/17/03)

MILK PRICES COULD INCREASE

The dairy industry from the center Mexico is considering an increase in milk prices due to ruined alfalfa fields by excess rainfall, and the subsequent increase in prices for raw milk. Alfalfa prices went up from $1,200 pesos/MT to $1,800 pesos/MT (US$106.19/MT to $159.29/MT) in one month. The President of the Livestock Association in Queretaro indicated that cost of production for milk has increased in nine states, and the possibility of an increase per liter is imminent. Current prices from producers to the traders go from $2.80 pesos/Lt to $4.50/Lt (US$0.25/Lt to $0.40/Lt), and the increase contemplated is at least $0.20 pesos per liter. (US$0.17/Lt). (Source: *Reforma*, 10/17/03)

TAKING ADVANTAGE OF NAFTA, MEXICO’S CHALLENGE

According to the Mexico’s former Economy Secretary, Jaime Serra-Puche, Mexico is obliged to take better advantage of NAFTA and the economic trade with the United States. He also said that without NAFTA, the commercial relationship with the European Community would have been more difficult to manage. (Source: *El Financiero*, 10/20/03)

BIOTERRORISM LAW WILL COMPLICATE BILATERAL TRADE

The President of the National Transportation Chamber pointed out that implementation of stricter safety measures by the United States in the different border areas will affect Mexican trade. He also said the new measures will also harm the good economic relation between both countries. In a different meeting, the U.S.-Mexico Chamber of Trade in Veracruz indicated that this law could temporarily paralyze agricultural exports from Mexico to the United States and in the long term, could considerably reduce trade. (Source: *Jornada* and *Reforma*, 10/17/03)

U.S. TO APPLY "DIVIDE AND CONQUER" STRATEGY IN LATIN AMERICA

According to a local newspaper, the failure of the WTO meetings in Cancun and the almost nonexistent possibility of signing the Free Trade Area of the Americas will obligate the United States to establish regional or bilateral trade agreements in Latin America under the strategy of divide and conquer. Specialists from the National Autonomous University of Mexico warned that this process would make Mexico lose its competitive advantage it has in the NAFTA. (Source: *La Jornada*, 10/17/03)

COLD CHAIN PHASE III - A RESOUNDING SUCCESS

Starting in September 2000, ATO Mexico City, in cooperation with ICD, held a series of Cold Chain programs including consultations and seminars to provide technical assistance on cold chain management to retail establishments in Mexico. The goal of the multi-year program is to improve the quality of U.S. perishable products sold to Mexico. Cold Chain Phase III was implemented September 22-26, 2003, and included for the first time a special seminar on seafood handling. (Source: *ATO Mexico City*, 10/20/03)

ABASTUR 2003 YIELDS U.S.$7.9 MILLION DOLLARS IN 12-MONTH PROJECTED SALES

October 1-3, 2003, ATO Mexico City organized the 4th Annual U.S. Pavilion at ABASTUR, Mexico City's largest and most prestigious show targeting the country's rapidly growing hotel, restaurant and food service industry. ABASTUR 2003 hosted over 17,000 visitors, including buyers from major hotel and restaurant chains. The newly-designed U.S. Pavilion, developed with assistance from WUSATA, was well-received by both U.S. business participants and visitors. Over 40 U.S. companies exhibited in the U.S. Pavilion and they projected $7.9 million in sales over the next 12 months as a result of their participation in the show. (Source: *ATO Mexico City*, 10/20/03)

U.S. CHEESECAKES FEATURED AT TOKS

During October, November and December 2003, ATO Mexico City is sponsoring a U.S. Cheesecake Festival at TOKS, the third-largest family restaurant chain in Mexico. With 45 restaurants participating throughout the country, TOKS is expected to buy over US$65,000 dollars in cheesecakes for the promotion and has agreed to include the most popular cheesecake from the promotion as a permanent item on their menu. TOKS will donate one Mexican peso (about US$0.09) per slice of cheesecake sold to a different Mexican charity each month; for example, in October, the funds will be donated to an organization assisting deaf children. (Source: *ATO Mexico City*, 10/20/03)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX3139	Weekly Highlights & Hot Bites Issue #46	10/15/03
MX3140	Annual Dairy Report	10/16/03

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